

Farm statistical survey 2020

Mixed Cropping

2020 Farm statistical survey

Produced by Alexanders in association
with Brown Glassford

Background

- The survey data has been taken from the two Practices' clients' actual Financial Statements for the 2020 year. As in previous years, we have combined the survey so that all farm sector groups have a reasonably sound sample size.
- All financial data is GST exclusive.
- Most of the balance dates are 31/3/2020, 31/5/2020 or 30/6/2020.
- The averages referred to are per farm and as per that farm's actual Financial Statements for the 2020 year – the averages are not weighted averages which would produce slightly different data again – as a result of this there is some rounding of data.
- Benchmark. On the right hand side of each survey summary for each sector, we have shown the average figures for the top 10% based on the interest return on total farm capital employed. Figures in the right column are the average of those top farms for each statistic. We could have chosen other benchmarks or several benchmarks but the interest return on total farm capital employed means we can compare farmers with differing levels of debt, scale and production and also make a comparison between sectors. This approach also means we are looking at both the income and expense side of the equation, and the net farm profit, whereas some benchmarks and ratios look at specific areas and issues very well but many are only looking at one side of the equation. We readily acknowledge though that there could be other benchmark approaches equally meaningful.

Key statistics

	Overall Average 2016	Overall Average 2017	Overall Average 2018	Overall Average 2019	Overall Average 2020	Benchmark Group 2020	Your Figures
Area Cropped Grain & Seeds (Ha)	267	259	264	265	280	569	
FWE as a % of GFI	61.0%	58.6%	64.1%	63.8%	59.8%	51.4%	
Interest & Rent Paid as a % of GFI	16.3%	15.8%	17.9%	15.5%	14.7%	20.9%	
Net Farm Profit	\$187,897	\$147,246	\$118,156	\$149,793	\$312,827	\$1,235,816	
Gross Profit Cropping per Ha	\$3,407	\$3,570	\$3,453	\$3,415	\$3,872	\$6,690	
Ave Sale Value Lambs	\$107.01	\$108.62	\$136.94	\$137.42	\$173.77	\$186.13	
Net Plant Purchases	\$130,605	\$140,713	\$191,561	\$137,484	\$167,494	\$575,499	
Est Total Farm Capital (TFC)	\$10,339,128	\$11,055,091	\$10,815,670	\$11,087,840	\$12,523,872	\$18,908,750	
Total Term Debt	\$2,645,853	\$2,717,223	\$2,936,863	\$2,808,091	\$3,402,907	\$9,600,562	

Key features

1. Average area harvested over the last five years – 267 ha.
2. Average gross farm income (GFI) over the five years – \$1,445,502.
3. Average farm working expenses (FWE) over the five years – \$887,933.
4. Average interest and rent paid over the five years – \$247,725.
5. Average net farm profit over the five years – \$183,183.
6. Average gross profit over the five years from the Cropping Account – \$1,102,785.
7. Average gross profit per hectare harvested over the five years – \$3,543.
8. Average sale value of lambs over the five years – \$132.73.
9. Average net capital plant purchases over the five years – \$153,571.
10. Average weed and pest cost per cropped area over the five years – \$429.
11. Average fertiliser cost per effective grazing area over the five years – \$385.
12. Average personal drawings (excluding allowances) over the five years – \$81,227.
13. Average TFC employed over the five years – \$11,164,320.
14. Average term debt over the five years – \$2,902,188.
15. Average term debt as a percentage of TFC over the five years – 23.52%.
16. Average interest and rent paid as a percentage of GFI over the five years – 17.13%.
17. Average net farm profit per hectare harvested over the five years – \$686.
18. Average net capital plant purchases as a percentage of GFI over the five years – 9.3%.

Key features

Where do the benchmark group differ from the 2020 year averages?

1. Higher harvested area by 289 ha (103% higher).
2. Much higher GFI – higher by \$3,532,731 (198% higher).
3. Lower FWE to GFI ratio by 8.4%.
4. Much higher term debt – higher by \$6,197,655 (182% higher).
5. Higher gross return per hectare harvested by \$2,818 (73% higher).
6. Higher TFC by \$6,384,878 or 51%.
7. Intensive cropping (potatoes, onions, vegetables).
8. Term debt to TFC ratio at 46.7% – high.

What would an economist say about the 2020 year average net farm profit of \$312,827?

Net farm profit	\$312,827
Plus interest and rent paid	\$289,868
	<hr/>
	\$602,695
Less wages of management (say)	(\$110,000)
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Interest surplus return	\$492,695
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Interest surplus on TFC employed: $\$492,695 \div \$12,523,872 =$	3.93%

Suggested key issues arising from 2020 year:

1. Very sound average net equity of \$9,120,965.
2. Harvested area similar over the five years.
3. 2020 year net farm profit of \$312,827 is 107% higher than average net profit of the four previous years.
4. Well controlled interest and rent as percentage of GFI at 14.7%.
5. Well controlled term debt as percentage of TFC at 22%.
6. Benchmark group is rock solid from a revenue perspective but is fully indebted from a banking perspective at 46.7%.

Key data for the 2020 year

The Benchmark group has more scale than the overall average at

569 ha

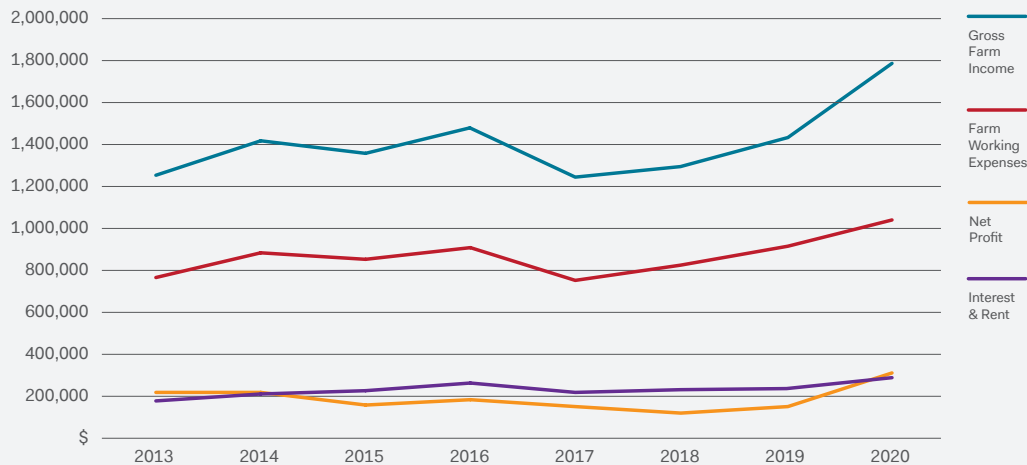
Top group has higher gross return per hectare cropped

\$3,872 overall **\$6,690** top 10%

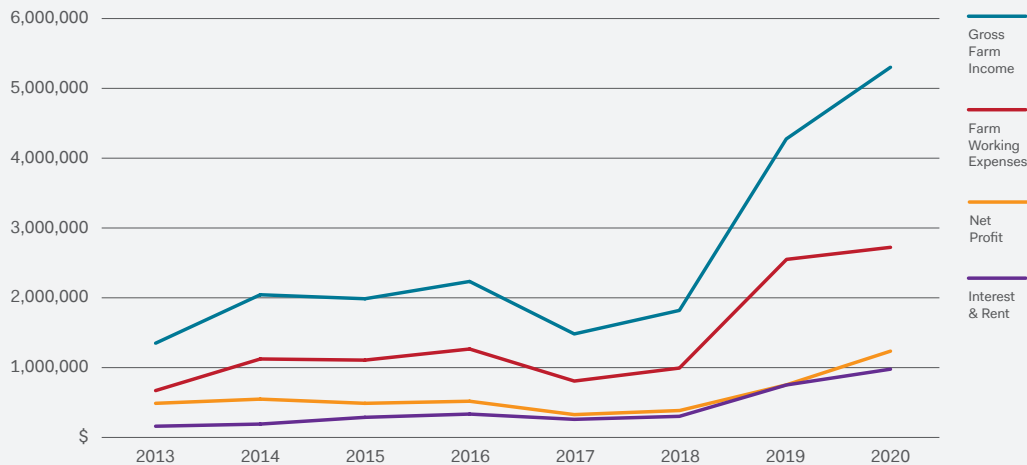
Survey

	Overall Average 2016	Overall Average 2017	Overall Average 2018	Overall Average 2019	Overall Average 2020	Benchmark Group 2020	Your Figures
Total Effective Area Farmed (ha) (EGA)	356	354	355	343	399	894	
Area Cropped Grain & Seeds (Ha)	267	259	264	265	280	569	
Gross Farm Income (GFI)	\$1,479,159	\$1,243,565	\$1,295,461	\$1,427,623	\$1,781,701	\$5,314,432	
Farm Working Expenses (FWE)	\$907,359	\$752,459	\$826,054	\$912,361	\$1,041,432	\$2,730,468	
FWE as a % of GFI	61.0%	58.6%	64.1%	63.8%	59.8%	51.4%	
Interest & Rent Paid	\$261,824	\$215,674	\$232,345	\$238,916	\$289,868	\$969,364	
Interest & Rent Paid as a % of GFI	16.3%	15.8%	17.9%	15.5%	14.7%	20.9%	
Net Farm Profit	\$187,897	\$147,246	\$118,156	\$149,793	\$312,827	\$1,235,816	
Net Farm Profit as a % of GFI	12.9%	14.6%	7.3%	12.9%	17.2%	21.0%	
Gross Profit Cropping Account	\$1,132,214	\$979,334	\$977,076	\$1,088,776	\$1,336,526	\$4,475,750	
Gross Profit Cropping per Ha	\$3,407	\$3,570	\$3,453	\$3,415	\$3,872	\$6,690	
Gross Profit Cropping as a % of GFI	67.4%	73.6%	65.5%	67.3%	63.7%	69.3%	
Gross Profit Sheep	\$164,312	\$152,096	\$164,461	\$189,254	\$223,485	\$263,229	
Ave Sale Value Lambs	\$107.01	\$108.62	\$136.94	\$137.42	\$173.77	\$186.13	
Net Plant Purchases	\$130,605	\$140,713	\$191,561	\$137,484	\$167,494	\$575,499	
GFI To Plant Ownership	2.1	1.7	1.9	2.2	2.4	3.1	
Weed & Pest per Cropped Area	\$429	\$426	\$375	\$448	\$465	\$596	
Fertiliser per Total EGA	\$388	\$358	\$360	\$399	\$420	\$519	
Personal Drawings (excl Allowances)	\$70,748	\$73,845	\$75,737	\$96,697	\$89,108	\$125,303	
Est Total Farm Capital (TFC)	\$10,339,128	\$11,055,091	\$10,815,670	\$11,087,840	\$12,523,872	\$18,908,750	
Est TFC/EGA	\$29,509	\$32,110	\$30,734	\$37,638	\$34,717	\$23,184	
Est Interest on TFC	3.4%	2.5%	2.2%	2.4%	3.5%	8.4%	
Total Term Debt	\$2,645,853	\$2,717,223	\$2,936,863	\$2,808,091	\$3,402,907	\$9,600,562	
Term Debt as % of TFC	22.5%	23.0%	23.9%	26.2%	22.0%	46.7%	
Earnings Before Interest, Rent & Tax (EBIT)	\$435,618	\$350,060	\$337,836	\$377,042	\$602,696	\$2,205,180	
EBIT as a % of GFI	28.8%	30.0%	25.2%	25.4%	31.9%	41.9%	
EBIT per Cropped Ha	\$1,022	\$1,021	\$875	\$1,249	\$1,405	\$2,672	
"Misery Index"	77%	74%	82%	79%	74%	72%	

Average GFI, FWE, Interest + Rent & Net Profit 2013–2020



Benchmark GFI, FWE, Interest + Rent & Net Profit 2013–2020



Farm working expenses as a % of gross farm income

59.8%

overall

51.4%

top 10%

Interest/Rent paid as a % of gross income

14.7%

overall

20.9%

top 10%

Glossary

SU	Stock Units (or Ewe Equivalents).
GFI	Gross Farm Income.
FWE	Farm Working Expenses.
Personal Drawings (excluding allowances)	Personal Drawings but excluding: <ul style="list-style-type: none">Life AssurancePersonal InsurancesSuperannuationTaxationPersonal Insurance, Electricity & Car AllowancesSchool FeesHealth & Sickness InsurancePersonal ACC Levies.
Net Plant Purchases	Gross Capital Plant Purchases less Capital Plant Sales/Trade-ins.
TFC	Estimated Total Farm Capital Employed in the farming operation in the form of Land, Stock & All Plant (+ Dairy Shares where relevant).
EGA	Effective Grazing or Milking Area (in hectares).
ACM	Average Cows Milked (usually taken at or around early to mid January each year).
MS (kg)	Milk Solids (kg).
EBIT	Gross Earnings before interest and tax = Gross Farm Income less all expenses except Interest and/or Rent and Income Tax.
Net Farm Profit	True Net Farm Profit (calculated after allowing for and adjusting for any livestock number and class number changes and being reflected at the current year's Herd Scheme Values and after deducting FWE, interest, rent and depreciation).
GFI to Plant Ownership	The relationship of the Gross Farm Income to the book value of plant at year's end. The lower the number the more the exercise has excess plant or insufficient GFI or a combination of the two.
Total Term Debt	Includes all external debt and family debt. Some family debt may involve a low to nil interest cost.
Interest Earned on Total Farm Capital Employed (TFC)	The net farm profit plus added back interest and/or rent paid less a wages of management figure for one or both spouses as is appropriate, divided by the estimated value of the total assets employed re land, buildings, stock and plant. Where land is rented from external parties its value in general is not included in the TFC.
Farm Sector Groups	It is fair comment that some farms could fit either in whole or in part into several different farm sector groups but this would generally only apply to about 5% of the total. The comment applies to several downlands and several hill country farms.
'Misery Index'	The sum of the FWE to GFI ratio and the interest and/or rent paid to GFI ratio. Where the sum is above 80% unless the scale is significant it almost invariably means trouble because it could well mean that more than one key benchmark is being broken at any one point in time.
BG	Benchmark Group.



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